THE SENATE
THIRTY-THIRD LEGISLATURE, 2026
STATE OF HAWAII

S.B. NO. 3025

JAN 23 2026

A BILL FOR AN ACT

RELATING TO MEDICAL DEBT.

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

SECTION 1. The legislature finds that medical debt has become a widespread issue in the State. According to a 2022 report from the Peterson-KFF Health System Tracker, more than one in twenty adults in the State have outstanding medical debt on their credit report. In states and cities that have acquired and forgiven unpaid medical debt, most of the forgiven debt was owed by those with health insurance, further suggesting that despite many families in the State having health insurance coverage, inability to pay medical debt is a serious problem.

The legislature further finds that medical debt is a social determinant of health as patients with burdensome medical debt often delay the care they need, may experience issues obtaining employment and housing, have difficulty escaping poverty, and experience increased mental stress. Due to a rising cost of living and a health care system built on a for-profit model, many families are never able to repay medical debt.

The legislature recognizes that due to the significant amount of outstanding debt owed to hospitals and other health care providers, a secondary market has emerged in which commercial debt buyers purchase outstanding and dormant debt owed to health care providers and take aggressive action to collect from families who find themselves unable to pay, further exacerbating the severity of the medical debt crisis.

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

Currently, a medical debt consolidation and cancellation non-profit organization has already acquired the unpaid medical debt of 50,016 State residents, totaling $91,310,664 dollars. This includes 39,401 individuals on Oahu, 6,654 individuals on

Hawaii Island, 3,597 individuals on Maui, Molokai, and Lanai, and 316 individuals on Kauai.

Accordingly, the purpose of this Act is to require and appropriate funds for the office of wellness and resilience to develop, implement, and administer a medical debt acquisition and forgiveness program to acquire and forgive outstanding medical debt for certain individuals in the State, beginning with the medical debt of the 50,016 Hawaii residents that has already been acquired by the medical debt collection and cancellation organization.

SECTION 2. Chapter 346, Hawaii Revised Statutes, is amended by adding a new section to part XXI to be appropriately designated and to read as follows:

"**§346- Medical debt acquisition and forgiveness program.** (a) The office shall develop, implement, and administer a medical debt acquisition and forgiveness program to acquire and forgive outstanding medical debt for individuals in the State pursuant to this section.

(b) The program shall:

(1) Acquire and satisfy or discharge the medical debt of individuals with a household income less than or equal

to four hundred per cent of the federal poverty level for the State, or individuals having a medical debt balance greater than or equal to five per cent of their household income; and

(2) Ensure that any specific personally identifiable information or protected health information is collected in compliance with applicable state and federal laws and regulations, and is used only for the purposes of acquiring and satisfying or discharging medical debt, or providing financial education, insurance enrollment assistance, preventive measures, or similar support services.

(c) The office shall, without regard to chapter 103D, or 103F, as applicable, contract with an entity currently holding medical debt of State residents and has demonstrated experience and success partnering with hospitals and health systems in acquiring and satisfying or discharging outstanding medical debt on behalf of state and municipal governments.

(d) The office may receive appropriations from the legislature, private funds, or federal funds for the purpose of

acquiring and satisfying or discharging outstanding medical debt pursuant to this section.

(e) The office shall submit a report of its findings and recommendations, including any proposed legislation, for the medical debt acquisition and forgiveness program, to the legislature no later than twenty days prior to the convening of each regular session. The report shall include:

(1) The office's progress in developing, implementing, and administering the medical debt acquisition and forgiveness program; and

(2) An analysis of actions taken by other states in the preceding year that are reasonably related to the cancellation of medical debt, including prohibiting medical debt from appearing on credit reports."

SECTION 3. There is appropriated out of the general revenues of the State of Hawaii the sum of $500,000 or so much thereof as may be necessary for fiscal year 2026-2027 for the office of wellness and resilience to develop, implement, and administer the medical debt acquisition and forgiveness program established pursuant to section 2 of this Act to acquire and satisfy or discharge outstanding medical debt for certain

individuals in the State, beginning with the debt that has been acquired by medical debt collection and cancellation organizations.

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

SECTION 4. New statutory material is underscored.

SECTION 5. This Act shall take effect on July 1, 2026.

INTRODUCED BY: _____

S.B. NO. 3025

Report Title:
OWR; Medical Debt Acquisition and Forgiveness Program; Reports; Appropriation

Description:
Requires the Office of Wellness and Resilience to develop, implement, and administer a Medical Debt Acquisition and Forgiveness Program to acquire and forgive outstanding medical debt for certain individuals in the State beginning with the medical debt of the 50,016 Hawaii residents that has already been acquired by medical debt and consolidation organizations. Requires reports to the Legislature. Appropriates funds.

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