
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 in the State. According to a 2022
3 report from the Peterson-KFF Health System Tracker, more than
4 one in twenty adults in the State have outstanding medical debt
5 on their credit report. In states and cities that have acquired
6 and forgiven unpaid medical debt, most of the forgiven debt was
7 owed by those with health insurance, further suggesting that
8 despite many families in the State having health insurance
9 coverage, inability to pay medical debt is a serious problem.

10 The legislature further finds that medical debt is a social
11 determinant of health as patients with burdensome medical debt
12 often delay the care they need, may experience issues obtaining
13 employment and housing, have difficulty escaping poverty, and
14 experience increased mental stress.

15 The legislature also finds and declares that the
16 appropriation in this Act is in the public interest and for the
17 public health, safety, and general welfare of the State. Due to



1 a rising cost of living and a health care system built on a
2 for-profit model, many families are never able to repay medical
3 debt.

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

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



1 The legislature finds that a medical debt consolidation and
2 cancellation non-profit organization has already acquired the
3 unpaid medical debt of 50,016 residents of the State, totaling
4 \$91,310,664. This includes 39,401 individuals on Oahu, 6,654
5 individuals on Hawaii island, 3,597 individuals on Maui,
6 Molokai, and Lanai, and three hundred sixteen individuals on
7 Kauai.

8 Accordingly, the purpose of this Act is to authorize the
9 office of wellness and resilience to develop, implement, and
10 oversee the administration of a medical debt acquisition and
11 forgiveness program to acquire and forgive outstanding medical
12 debt for certain Hawaii residents, subject to the availability
13 of program funds.

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

17 "**S346- Medical debt acquisition and forgiveness**
18 **program.** (a) The office may develop, implement, and administer
19 a medical debt acquisition and forgiveness program to acquire
20 and forgive outstanding medical debt of residents of the State

1 that is identified as available for acquisition, subject to the
2 availability of program funds.

3 (b) The office may partner with other relevant state
4 agencies and programs to develop, implement, and administer the
5 program.

6 (c) The program shall:

7 (1) Acquire and forgive the medical debt of individuals
8 who are residents of the State:

9 (A) With a household income less than or equal to
10 four hundred per cent of the federal poverty
11 level for the State; and

12 (B) With an adjusted gross income of less than
13 \$100,000 who have a medical debt balance of not
14 less than five per cent of their household
15 income; and

16 (2) Ensure that any specific personally identifiable
17 information or protected health information is
18 collected in compliance with applicable federal and
19 state laws, regulations, and rules, and is used only
20 for the purposes of acquiring and satisfying or
21 discharging medical debt, or providing financial



1 education, insurance enrollment assistance, preventive
2 measures, or similar support services. Information
3 collected that is subject to this paragraph shall be
4 confidential and not disclosed under chapter 92F
5 without the consent of the individual or as otherwise
6 provided by law.

7 (d) The office may, without regard to chapter 103D or
8 103F, as applicable, contract with entities that hold existing
9 medical debt of state residents and have demonstrated experience
10 and success partnering with hospitals and health systems in
11 acquiring and satisfying or forgiving outstanding medical debt
12 on behalf of state and county governments for the purposes of
13 developing, implementing, and administering the medical debt
14 acquisition and forgiveness program.

15 (e) Any acquisition and forgiveness of medical debt under
16 the program shall be negotiated to ensure the best possible
17 value for the State.

18 (f) The office may receive appropriations from the
19 legislature, private funds, or federal funds for the purpose of
20 acquiring and forgiving outstanding medical debt pursuant to
21 this section."



1 SECTION 3. The office shall submit a report of its
2 progress in developing, implementing, and administering the
3 medical debt acquisition and forgiveness program, including any
4 proposed legislation, to the legislature no later than twenty
5 days prior to the convening of the regular session of 2027.

6 SECTION 4. There is appropriated out of the general
7 revenues of the State of Hawaii the sum of \$500,000 or so much
8 thereof as may be necessary for fiscal year 2026-2027 for the
9 office of wellness and resilience to develop, implement, and
10 administer the medical debt acquisition and forgiveness program
11 established pursuant to section 2 of this Act to acquire and
12 forgive outstanding medical debt for certain individuals who are
13 residents of the State; provided that the appropriation made by
14 this Act shall not lapse at the end of the fiscal biennium for
15 which the appropriation is made; provided further that all
16 moneys from the appropriation unencumbered as of June 30, 2028,
17 shall lapse as of that date.

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

20 SECTION 5. New statutory material is underscored.



1 SECTION 6. This Act shall take effect on July 1, 2026.



S.B. NO. 3025
S.D. 2
H.D. 3
C.D. 1

Report Title:

Office of Wellness and Resilience; Medical Debt Acquisition and Forgiveness Program; Report; 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 residents of the State, subject to the availability of program funds. Requires a report to the Legislature. Appropriates funds. (CD1)

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